

Message Text

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C O N F I D E N T I A L LISBON 6593

PASS TREASURY DEPARTMENT FOR SYVRUD

E.O. 11652: GDS

TAGS: ECON, PO

SUBJ: PORTUGAL INTERNATIONAL CREDIT RATING

REF: LISBON 5561

1. ECONOMIC COUNSELOR MET WITH BANK OF PORTUGAL GOVERNOR, SILVA LOPES, ON FRIDAY, SEPTEMBER 24. FOLLOWING SUMMARIZES SEVERAL OF THE SUBJECTS DISCUSSED.

2. SILVA LOPES CONFIRMED THAT THE LAST GOLD-SECURED LOAN OBTAINED FROM A CONSORTIUM OF EUROPEAN CENTRAL BANKS TOTALLED \$250 MILLION (SEE REFTEL). AUGUST REPORT OF IBRD STATING THAT LOAN HAD BEEN \$70 MILLION IS IN ERROR. IBRD DELEGATION MAY HAVE CONFUSED TOTAL VALUE OF THE LOAN WITH ONE OF THE FOLLOWING FACTS: FIRST, BY THE TIME IBRD DELEGATION DEPARTED LISBON, BANK OF PORTUGAL HAD DRAWN \$70 MILLION AGAINST THE TOTAL LOAN PACKAGE; OR SECOND, THE GERMAN CENTRAL BANK CREDIT, WHICH IS ONLY PART OF THE TOTAL CONSORTIUM PACKAGE, TOTALLED \$75 MILLION.

3. THE GOP-GUARANTEED SECURITY ISSUE THROUGH KREDIETBANK S.A. OF LUXEMBOURG FOR \$40 MILLION HAS BEEN TOTALLY SUBSCRIBED. IN FACT, THE ISSUE MAY BE INCREASED TO \$50

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MILLION BECAUSE OF AN ADDITIONAL \$10 MILLION PURCHASE OFFER.

4. THE BANK OF PORTUGAL HAS HELD INITIAL DISCUSSIONS WITH THE IMF FOR DRAWINGS AGAINST PORTUGAL'S QUOTA. DR. SILVA LOPES' INDICATIONS THUS FAR ARE THAT A DRAWING AGAINST THE FIRST QUOTA TRANCHE WILL BE RELATIVELY EASY. HE IS UNCERTAIN, HOWEVER, WHETHER THE GOP AND THE IMF CAN AGREE SOON ENOUGH ON POLICY MEASURES FOR A STANDBY COVERING THE FIRST TWO QUOTA TRANCHES. HE IS PERSONALLY CONVINCED, NEVERTHELESS, THAT SUCH A STANDBY IS HIGHLY DESIRABLE FOR PSYCHOLOGICAL REASONS.

5. DR. LOPES WILL PREPARE A TIMETABLE OF THE PRINCIPAL ECONOMIC DATES AND EVENTS OF THE NEXT FEW MONTHS, AS REQUESTED BY MR. GEORGE WILLIS. ALTHOUGH EXTREMELY PRESSED AT THIS TIME, HE WILL ATTEMPT TO PROVIDE THIS LISTING EARLY IN THE WEEK OF SEPTEMBER 27-OCTOBER 1.
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